



REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF JUNE 30, 2022

The figures include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare S.A., Member Company of the KMG International Group, operates Petromidia Refinery located in Navodari, Constanta County. Starting with December 1, 2007, the company also operates Vega Refinery, located in Ploiesti, Prahova County.

Starting with January 1, 2014, Rompetrol Rafinare S.A. took over the operational facilities (polymer production and utilities) of Rompetrol Petrochemicals S.R.L.

The company processes a variety of crude oils with different content of sulphur. The crude oil feeding is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C. In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tonnes/year and efficient production and focus on the petroleum products required by the market.

Petromidia Refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs successfully continued until present days.

In 2019, the Petromidia Refinery celebrated 40 years of activity, the period when it grew from an idea, to the largest profile unit in Romania and one of the most modern in the Black Sea region.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of June 2022 was 1,833.

The company employs best practices for attracting, retaining and motivating its employees, who are the principal contributors to the development of the Group. The company is fully committed to its responsibilities for their development and for the communities in which it operates.



COMPANY SHARES AND LISTING

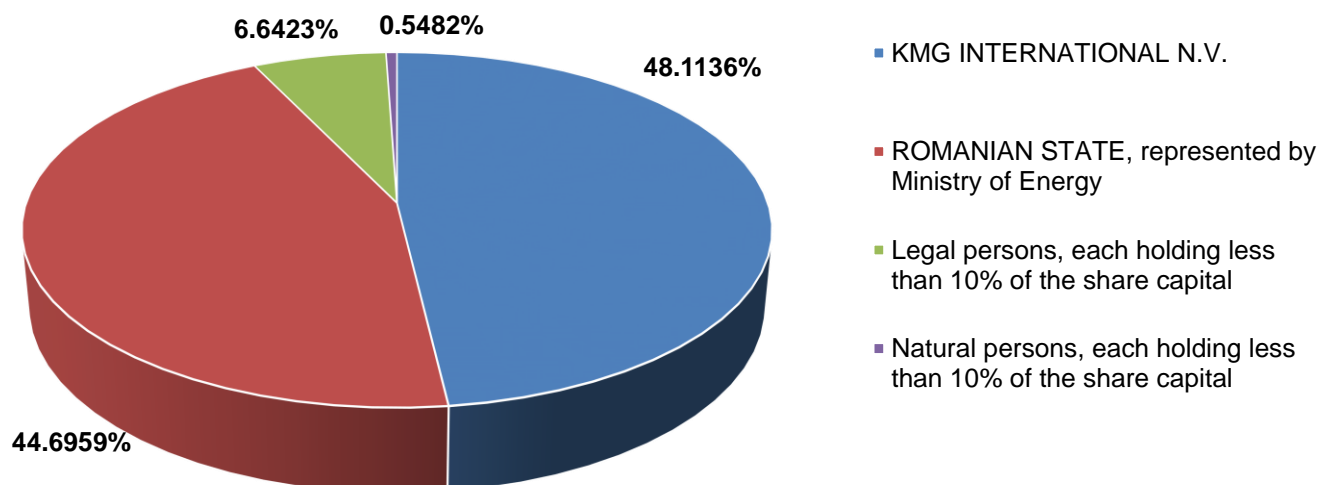
Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 30.06.2022, the total number of shares issued by the Issuer is 26,559,205,726, representing a total share capital of 2,655,920,572.60 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti, as an independent register, authorized by the Financial Supervisory Authority.

ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

In the period under review there were no changes likely to influence the share capital of the Company. According to the Shareholders' register consolidated on June 30, 2022, the structure of the Company's significant shareholders is presented in the following graph:

The structure consolidated by the Depozitarul Central S.A. on 30.06.2022



Note:

At 30 June 2022, the shareholders of KMG International Group own a number of 14,510,324,147 shares, representing 54.6339% of the share capital.



CORPORATE GOVERNANCE

In 2022, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

PRESENTATION OF THE COMPANY'S ADMINISTRATORS

The Board of Directors is responsible for fulfilling all the measures necessary for the development of the Company's activity, as well as for supervising the activity. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation of the Company, available on our website (www.rompetrol-rafinare.ro, Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

As of June 30, 2022, the composition of the Board of Directors was as follows:

- **Yedil Utekov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors;
- **Askar Abilov**, citizen of the state of Kazakhstan, member of the Board of Directors;
- **Felix Crudu-Tesloveanu**, Romanian citizen, executive member of the Board of Directors, also exercising the position of General Manager of the Company (starting with January 1, 2020);
- **Nicolae Bogdan Codrut Stanescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Catalin Steriopol**, Romanian citizen, member of the Board of Directors.

Advisory committees

In its activity, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being responsible for conducting analyses and developing recommendations for the Board of Directors, in specific areas, having the obligation to submit periodically activity reports to the members of the Board of Directors.

Audit Advisory Committee

The Committee was set up on the basis of Decision no. 1 of the Board of Directors of April 13, 2018.

Strategy Advisory Committee

The Committee was set up on the basis of Decision no. 4 of the Board of Directors of April 20, 2019.

The detailed presentation of the attributions and responsibilities of the Advisory Committees can be found in the Organization and functioning Regulations approved by the Board of Directors, regulations published on the Company's website www.rompetrol-rafinare.ro, section Investor Relations - Corporate Governance - Corporate Governance Documents.

INVESTOR RELATIONS CONTACT

The annual, semi-annual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at:

Investor.Relations.RRC@rompetrol.com

FINANCIAL HIGHLIGHTS – CONSOLIDATED

	H1 2022	H1 2021	%	H1 2022	H1 2021	%
Financial	USD	USD		RON	RON	
Gross Revenues	2,972,087,612	2,285,238,133	30%	14,094,828,291	10,837,513,322	30%
Net Revenues	2,432,974,631	1,645,165,714	48%	11,538,138,889	7,802,033,882	48%
EBITDA	174,391,857	68,823,277	153%	827,035,945	326,387,509	153%
EBITDA margin	7.2%	4.2%		7.2%	4.2%	
EBIT	78,057,166	(1,194,254)	N/A	370,178,305	(5,663,631)	N/A
Net profit / (loss)	58,389,986	(22,824,507)	N/A	276,908,671	(108,242,944)	N/A
Net profit / (loss) margin	2.4%	-1.4%		2.4%	-1.4%	

Rompetrol Rafinare consolidated gross revenues reached over USD 2.9 billion in H1 2022, higher by 30% as against H1 2021 as a result of higher market quotation vs. similar period last year.

The impact from utilities prices increase, specifically for natural gas and electricity, impacted the results for H1 2022 compared with similar period last year.

The negative hedge result booked in H1 2022 was a consequence of Russia's invasion over Ukraine and market volatility after invasion. Crude price increased to levels last seen in 2008 (Rompetrol Rafinare's hedge strategy for the inventory is protection against price decrease) and the Urals heavy crudes grades spread over Dated Brent moved in a very wide range after Russian invasion, some of them reaching the historical low levels. On the other hand, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential collapsed to historical low of -34\$/bbl., while its average level of the past 10 years is -1\$/bbl.



ECONOMIC ENVIRONMENT

		H1 2022	H1 2021	%
Brent Dated	USD/bbl	107.9	65.0	66%
Ural Med	USD/bbl	84.9	63.6	33%
Brent-Ural Differential	USD/bbl	23.1	1.4	1558%
Premium Unleaded 10 ppm FOB Med	USD/tonne	1,069	604	77%
Diesel ULSD 10 ppm FOB Med	USD/tonne	1,040	519	101%
RON/USD Average exchange rate		4.52	4.07	11%
RON/USD Closing exchange rate		4.74	4.14	14%
RON/EURO Average exchange rate		4.95	4.90	1%
RON/EURO Closing exchange rate		4.95	4.93	0%
USD/EURO Closing rate		1.04	1.19	-12%
Inflation in Romania*		9.98%	3.42%	191%

Source: Platts, * INSSE (Inflation in Romania is calculated based on CPI - i.e. Consumer Price Index)

Dated Brent increased by approximatively +43 \$/bbl. (+66%) in H1 2022 vs. H1 2021 and settled to an average of 107.9 \$/bbl.

During January, the Dated Brent increased from 79 to 92.5\$/bbl., the highest since 2014, and the best January performance in at least 30 years, on signs of sustained global demand together with decreasing US crude inventories to the lowest level since 2018, and because of geopolitical risks driven by warnings Russia may invade Ukraine.

The invasion of Ukraine had a volatile effect on markets and fueled fears of a supply crunch, driving prices to their highest since 2008. Dated Brent price touched even 137.6\$/bbl. on 8th of March.

On 2nd of March, OPEC+ ratified the 400,000-bpd production increase that was scheduled for April and wrapped up in a record time of just 13 minutes.

After 10th of March the Dated Brent price corrected as much as -15\$/bbl. and traded in a very wide range (106-118\$/bbl.) as a combination of several factors: COVID concerns in China, Germany's Prime Minister rejects calls to ban Russian oil and gas, some improvement in negotiations between Ukraine and Russia, comments from UAE ambassador about potentially adding more crude production (+800 kbbl./day) and the restart of bilateral talks between Venezuela and US.

During Q2, in a very tight crude market, where the global crude inventories remain near multi-year lows, the European Union leaders agreed to pursue a partial ban on imports of crude from Russia while China further eased anti-virus curbs, aiding demand.

Another support for the crude price came after OPEC+ effectively failed to increase output at all during Q2 as members remained overwhelmed by capacity constraints.



Meantime, Russian crude keeps finding its way into the market and Indian, Chinese, and Turkish refiners ramped up their Urals sourcing during Q2, roughly the amount by which European refiners cut their respective Urals supplies.

Until the Russia's invasion over Ukraine, the Urals-Dated Brent differential had a normal evolution, averaging around -2\$/bbl. After 24th of February, Russia's flagship crude traded at historical low level (-34\$/bbl.) as traders worry about how the crisis over Ukraine will play out and because nobody wants to buy anymore Russian crude.

Goldman Sachs lowered second half of 2022 Brent price forecast from 135 to 125\$/bbl. and raised 2023 Brent forecast from 110 to 115\$/bbl.

European margins increased by +188.2\$/MT in H1 2022 vs. H1 2021 and settled to an average level of 188.9\$/MT.

Until the invasion, the refinery margins were at normal levels, averaging around 33.7\$/MT. But, starting with 24th of February, the margins increased to a record level of 270\$/MT due to collapsed of Urals-Dated Brent differential and strong diesel cracks, following Ukraine invasion, considering that Russia is one of the major middle-distillates suppliers for Europe.

Refining margins in Europe are very strong amid robust gasoline and distillate cracks. The ongoing recovery of refined product demand, combined with expectations for a drop in Russian imports and low inventories in Europe, continues to boost cracks to record levels.

Gasoline cracks increased, with support coming from U.S. bookings as demand there exceed the five-year average. Also, the ARA gasoline inventory level was below the 2021 average, helping the European cracks.

Diesel cracks rose to levels not seen since 2008 (425\$/MT). Stocks of middle distillates, which include diesel, at key global hubs were at the lowest level in five years just as the war began, and the likely loss of Russian flows is set to tighten the market further.

Jet cracks also reached the historical record value (470\$/MT) because refiners have continued to minimize jet yields and maximize diesel, especially since Russian invasion. Air mobility is recovering across the region, with European air traffic standing at 86% of 2019 levels.

In terms of exchange rates, internally, the RON/EUR exchange rate remained relatively stable, on the higher level, reaching an average level of 4.9456 in H1 2022.

In terms of RON/USD exchange rate, it continued its ascending evolution, reaching an average level of 4.5242 in H1 2022

**The information is based on analysis provided by JBC Energy GmbH and National Bank of Romania*



REFINING SEGMENT

		H1 2022	H1 2021	%	H1 2022	H1 2021	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	2,562,212,191	1,888,567,388	36%	12,151,035,095	8,956,341,981	36%
Net Revenues	USD/RON	2,124,004,388	1,348,459,397	58%	10,072,878,408	6,394,933,844	58%
EBITDA	USD/RON	199,920,339	12,262,540	1530%	948,102,215	58,153,870	1530%
EBITDA margin	%	9.4%	0.9%		9.4%	0.9%	
EBIT	USD/RON	126,548,563	(35,261,002)	N/A	600,143,904	(167,221,776)	N/A
Net profit / (loss)	USD/RON	118,254,258	(42,320,106)	N/A	560,808,992	(200,698,871)	N/A
Net profit / (loss) margin	%	5.6%	-3.1%		5.6%	-3.1%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	142.7	27.5	418%	676.9	130.6	418%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	19.7	3.8	418%	93.2	18.0	418%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	90.2	(2.2)	N/A	427.5	(10.4)	N/A
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	12.4	(0.3)	N/A	58.9	(1.4)	N/A
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	2,310	2,726	-15%			
Feedstock processed in Vega refinery	thousand tonnes	163	188	-13%			
Gasoline produced	thousand tonnes	605	701	-14%			
Diesel & jet fuel produced	thousand tonnes	1,197	1,378	-13%			
Motor fuels sales - domestic	thousand tonnes	1,079	1,222	-12%			
Motor fuels sales - export	thousand tonnes	592	742	-20%			
Export	%	35%	38%				
Domestic	%	65%	62%				

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries. Rompetrol Rafinare computes Gross refinery margin as follows - (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA divided by quantity of sales.

Gross revenues of refining segment reached over USD 2.5 billion in H1 2022, showing a 36% increase as against H1 2021.

In H1 2022, the total throughput for Petromidia refinery was 2.31 million tons, lower by 15% as against H1 2021 when the total throughput was 2.73 million tons as a result of technological shutdown of the refinery in March-April and gradual return to optimal processing capacity. Another factor that influenced the total throughput was also the availability of crude supply which was affected by bad weather conditions in the loading terminals.

At the same time, the refining capacity utilization in Petromidia decreased by 14% in H1 2022, reaching a level of 75%.



Petromidia refinery managed to achieve in H1 2022 a good refining operational performance for the main operational parameters, such as:

- ✓ White finished products yield of 85.86%wt;
- ✓ Technological loss of 0.82%wt;
- ✓ Energy Intensity Index of 102.3%.

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 163,132 tonnes in H1 2022, lower by 13.31% as against the same period last year when the total throughput was 188,187 tonnes in H1 2021.

In H1 2022 the refining capacity utilization for Vega refinery was 98.87%, lower by 15.18% as against the same period last year.

Vega refinery also managed to achieve in the first half of 2022 good refining performance results, of which the following are emphasized:

- ✓ Technological loss of 0.59%;
- ✓ Energy consumption of 2.53 GJ/t;
- ✓ Mechanical Availability of 98.72%.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 696 million in H1 2022.



PETROCHEMICALS SEGMENT

		H1 2022	H1 2021	%	H1 2022	H1 2021	%
		USD	USD		RON	RON	
Financial							
Revenues	USD/RON	119,742,027	115,092,277	4%	567,864,590	545,813,614	4%
EBITDA	USD/RON	(18,203,525)	14,308,490	N/A	(86,328,399)	67,856,583	N/A
EBIT	USD/RON	(25,384,693)	5,483,754	N/A	(120,384,370)	26,006,155	N/A
Net profit / (loss)	USD/RON	(28,597,799)	4,411,050	N/A	(135,622,204)	20,918,964	N/A
Operational							
Propylene processed	thousand tonnes	59	72	-19%			
Ethylene processed	thousand tonnes	24	24	-3%			
Total polymers production	thousand tonnes	63	68	-8%			
Sold from own production	thousand tonnes	68	70	-3%			
Sold from trading	thousand tonnes	-	0.5	-100%			
Total sold	thousand tonnes	68	71	-3%			
Export	%	40%	44%				
Domestic	%	60%	56%				

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In H1 2022 the total polymers production for Petrochemicals area was 62.7 thousand tonnes lower by 8% as against H1 2021 when the total polymers production was 68 thousand tonnes.

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and in the region – the Black Sea and Mediterranean region and the Eastern and Central Europe, aiming to keep the competitive advantage once the market stabilizes.

MARKETING SEGMENT

		H1 2022	H1 2021	%	H1 2022	H1 2021	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	1,799,767,553	1,514,315,946	19%	8,535,217,643	7,181,491,942	19%
EBITDA	USD/RON	21,498,675	42,300,471	-49%	101,955,315	200,605,754	-49%
EBIT	USD/RON	6,222,220	28,857,269	-78%	29,508,255	136,852,713	-78%
Net profit / (loss)	USD/RON	(1,934,909)	15,360,746	N/A	(9,176,111)	72,846,801	N/A
Operational							
Fuels quantities sold in retail	thousand tonnes	438	424	3%			
Fuels quantities sold in wholesale	thousand tonnes	462	611	-24%			
LPG quantities sold	thousand tonnes	160	185	-14%			

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In H1 2022 the marketing segment had a turnover of over USD 1.79 billion, higher by 19% as compared with the same period last year.

In H1 2022, the average Platts quotations (FOB Med Italy) in USD (reference currency) increased by +101% for diesel and by +77% for gasoline compared with the similar period of 2021. Due to the 11% depreciation of the RON against the US dollar (H1 2022 vs. H1 2021, on average) the international diesel quotation increased in the national currency by +123.1%, in the same time the international gasoline quotation increased in the national currency by +96.8% compared to H1 2021.

The sales in wholesale and LPG decreased compared with last year similar period, but in retail segment, the company managed to deal higher volumes with 3% compared with the same period from 2021. The wholesale segment decrease was triggered by factors independent of the company's activity, such as the complex cyberattack that took place on the first part of March and affected several services, including Fill&Go, both for fleets and for private customers.

At the end of June 2022, the Rompetrol Downstream's distribution segment contained 1222 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.


APPENDIX 1 – CONSOLIDATED INCOME STATEMENT AS OF JUNE 30, 2022, UNAUDITED

	H1 2022	H1 2021	%	H1 2022	H1 2021	%
	USD	USD		RON	RON	
Gross Revenues	2,972,087,612	2,285,238,133	30%	14,094,828,291	10,837,513,322	30%
Sales taxes and discounts	(539,112,981)	(640,072,419)	-16%	(2,556,689,402)	(3,035,479,440)	-16%
Net revenues	2,432,974,631	1,645,165,714	48%	11,538,138,889	7,802,033,882	48%
Cost of sales	(2,215,912,704)	(1,532,650,870)	45%	(10,508,744,407)	(7,268,443,487)	45%
Gross margin	217,061,927	112,514,844	93%	1,029,394,482	533,590,395	93%
Selling, general and administration	(117,678,007)	(104,025,941)	13%	(558,076,178)	(493,332,623)	13%
Other operating income	144,351,648	5,622,342	2467%	684,573,254	26,663,394	2467%
Other operating expenses	(165,678,402)	(15,305,499)	982%	(785,713,253)	(72,584,798)	982%
EBIT	78,057,166	(1,194,254)	N/A	370,178,305	(5,663,631)	N/A
Finance, net	(27,885,398)	(19,461,190)	43%	(132,243,712)	(92,292,747)	43%
Unrealized net foreign exchange (losses)/gains	2,114,634	6,350,562	-67%	10,028,441	30,116,904	-67%
Realized net foreign exchange (losses)/gains	7,531,119	(5,772,866)	N/A	35,715,578	(27,377,240)	N/A
EBT	59,817,521	(20,077,748)	N/A	283,678,612	(95,216,714)	N/A
Income tax	(1,427,535)	(2,746,759)	-48%	(6,769,940)	(13,026,230)	-48%
Net result	58,389,986	(22,824,507)	N/A	276,908,671	(108,242,944)	N/A
EBITDA	174,391,857	68,823,277	153%	827,035,945	326,387,509	153%


APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2022, UNAUDITED

	June 30, 2022	December 31, 2021	%	June 30, 2022	December 31, 2021	%
Assets						
Non-current assets						
Intangible assets	7,994,950	9,469,707	-16%	37,915,249	44,909,138	-16%
Goodwill	82,871,706	82,871,706	0%	393,010,779	393,010,779	0%
Property, plant and equipment	1,238,848,848	1,261,644,352	-2%	5,875,116,777	5,983,222,176	-2%
Right of use assets	112,129,864	109,604,968	2%	531,764,667	519,790,601	2%
Financial assets and other	3,949,946	3,139,455	26%	18,732,224	14,888,552	26%
Total Non Current Assets	1,445,795,314	1,466,730,188	-1%	6,856,539,696	6,955,821,245	-1%
Current assets						
Inventories	486,850,247	329,204,005	48%	2,308,838,609	1,561,217,072	48%
Trade and other receivables	895,714,730	690,550,529	30%	4,247,837,538	3,274,866,828	30%
Derivative financial Instruments	8,096,767	23,958,794	-66%	38,398,108	113,622,185	-66%
Cash and cash equivalents	20,483,405	50,091,261	-59%	97,140,501	237,552,795	-59%
Total current assets	1,411,145,149	1,093,804,589	29%	6,692,214,757	5,187,258,880	29%
Total assets	2,856,940,463	2,560,534,777	12%	13,548,754,452	12,143,080,125	12%
Equity and liabilities						
Total Equity	438,485,274	462,580,486	-5%	2,079,472,561	2,193,741,694	-5%
Non-current liabilities						
Long-term debt	-	191,729,052	-100%	-	909,255,855	-100%
Provisions	84,606,213	84,606,213	0%	401,236,503	401,236,503	0%
Obligations under lease agreements	103,337,177	108,237,081	-5%	490,066,228	513,303,532	-5%
Other	72,818,695	72,832,895	0%	345,335,378	345,402,722	0%
Total non-current liabilities	260,762,084	457,405,240	-43%	1,236,638,110	2,169,198,611	-43%
Current Liabilities						
Trade and other payables	1,673,334,677	1,543,053,293	8%	7,935,622,370	7,317,775,936	8%
Contract liabilities	82,143,343	44,880,252	83%	389,556,588	212,840,106	83%
Derivative financial instruments	64,757,382	3,478,830	1761%	307,105,406	16,498,005	1761%
Obligations under lease agreements	4,919,927	3,679,908	34%	23,332,261	17,451,596	34%
Short-term debt	332,537,778	42,421,794	684%	1,577,027,156	201,181,117	684%
Profit tax payable	-	3,034,974	-100%	-	14,393,059	-100%
Total current liabilities	2,157,693,105	1,640,549,051	32%	10,232,643,782	7,780,139,819	32%
Total equity and liabilities	2,856,940,463	2,560,534,777	12%	13,548,754,452	12,143,080,125	12%

**RISK MANAGEMENT**

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies and to develop a culture of risk awareness where all stakeholders proactively contribute to protect Group's financial results from market volatility, to minimize future losses and optimize returns to maximize shareholder value.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situations have been performed. The primary focus was to ensure health and safety of all our employees, but also multiple measures were taken in order to ensure business continuity: cost optimization, adapting the production and sales to the new environment, proper cash management and balance of receivables and payables to ensure proper liquidity and business functioning.

INTEREST RATE RISK

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

FOREIGN EXCHANGE RISK

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

LIQUIDITY AND CASH FLOW RISKS

The liquidity risk consists in not having financial resources available in order to fulfil company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfilment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. Rompetrol Rafinare is part of the cash pooling facility of the KMG I Group and therefore can cover unexpected cash outflows by drawing from the facility.

The risk is managed through financial processes, cash-flow projections and stress tests, maintaining a sufficient cash buffer, regular reviews of market conditions and our planning and investment processes. Liquidity was put on the pressure this year due to adverse macroeconomic conditions, but proper cash management measures were implemented both in operational and financial areas. Existing favourable legislation related to Covid -19 in Romania that allowed some taxes to be postponed, very close monitoring of collection in order to avoid deterioration commercial negotiations and increase of some facilities allowed the company to mitigate this risk in order to avoid any material liquidity incidents.

**CREDIT RISK**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

The Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analysed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

- *Financial instruments and bank deposits*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased).

The Group sells or buys the equivalent number of future contracts based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

OPERATIONAL RISK

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.



Additional risks were brought by Covid-19 pandemic. Preventing measures have been implemented (limited or forbidden business travel, local or international, flexible working schedule, work-from-home, online meetings, corporate events cancelled, body temperature monitoring, specific disinfectant solutions provided, rules & protocols in line with local applicable regulations). Testing program, both RT-PCR and antigen, continues in all entities. Rapid tests were distributed to key operations in order to frequently check condition of key personnel (refineries, depots and gas stations). Business lines/ units are continuously following and updating contingency plans. Workplaces sanitation with biocides is regularly performed.

The management system establishes clear rules and principles which govern key risk management activities such as inspections, maintenance, testing and trainings, business continuity and crisis response planning. Security risks affecting our people and operations are kept as well under close monitoring by specialized departments. This risk, perceived usually as being high due to the nature of our activity and treated as a high priority by our group, has increased during 2021 when, alongside normal business challenges, a critical incident, whose causes are still under investigation by experts, took place on the production platform which resulted in explosion, fire, assets damage and fatalities. Existence of proper crises management procedures allowed that necessary measures to be implemented immediately in order to limit at maximum the losses. The company took significant measures to strengthen existing security and safety controls on all layers.

Environmental risks are strictly monitored, and a special emphasis is given to environment protection activities. The Group is committed to comply with all environmental laws and regulations. Ensuring compliance with environmental obligations put a lot of pressure under the Group's risk profile. In order to mitigate this risk, the group made a series of investments to ensure integrity of our technical equipment and compliance with environmental limits and put in place complex projects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero - tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

Rompetrol's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group's expectations as to each person's behavior, in light of the Group's principles of action. Rompetrol's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct.

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during the first semester of 2022 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.



CYBER RISK

The progress made toward digitalization certainly brings great benefits, however as the use of new technologies and their capabilities increases, so do the risks derived from their exposure in cyberspace, the reliance on the systems deployed and the information generated by the Group. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Group is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Group rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.

At the beginning of the year 2022, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Group continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

SUBSEQUENT EVENTS

Rompetrol Rafinare S.A credit facility in amount of EURO 30 million granted by Banca Transilvania was extended until July 29, 2023.

Rompetrol Rafinare S.A credit facility in amount of EURO 27,96 million granted by Banca Transilvania was extended until July 29, 2023.

The Board of Directors of Rompetrol Rafinare convened on July 07, 2022 the General Assembly of Shareholders of the Company for The Extraordinary General Meeting of Shareholders for August 19/22, 2022 during which the following will be subject to debate and approval, mainly:

- To ratify the signing of Addendum no. 1 to the Framework Agreement for the sale of crude oil no. 09046/2021, in order to approve the content, form, terms and conditions provided for in this Addendum between Rompetrol Rafinare S.A., as buyer, and KazMunayGas Trading A.G., as seller, considering the supporting materials related to this item, which will be made available shareholders within the legal term.
- To approve the signing of a Framework Agreement for the sale of thermal energy between Rompetrol Rafinare S.A., as buyer and Rompetrol Energy S.A., as seller, for a period of 10 years, under the terms and conditions presented in the Draft Agreement and the information material related to this item, which will be made available to shareholders within the legal term.



- To approve the signing of a Framework Agreement for the sale of electricity, between Rompetrol Rafinare S.A., as buyer, and Rompetrol Energy S.A., as seller, for a period of 10 years, under the terms and conditions presented in the Draft Agreement and the information material related to this item, which will be made available to shareholders within the legal term.

Impact of sanction risks and conflict in Ukraine

In the context of the military conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

The war in the Ukraine is creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.

At present, we are monitoring very closely the current situation and developments of sanctions applied to Russia and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region, which also enables us to identify any impact on our business and supply chains at an early stage and act accordingly.

The negative hedge result booked in H1 2022 was a consequence of Russia's invasion over Ukraine and market volatility after invasion. Crude price increased to levels last seen in 2008 (Rompetrol Rafinare's hedge strategy for the inventory is protection against price decrease) and the Urals heavy crudes grades spread over Dated Brent moved in a very wide range after Russian invasion, some of them reaching the historical low levels. On the other hand, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential collapsed to historical low of -34\$/bbl., while its average level of the past 10 years is -1\$/bbl.

The Group has very low direct exposure to customers from Ukraine and does not have direct exposures to related parties or suppliers from those countries, with the exception of supply route for Kazakh origin crude oil which geographically transit Russian territory through pipelines and, further on, through Russian ports (CPC-R, Novorossiysk) before reaching Petromidia Refinery.



Note:


The Board of Directors Report was prepared based on the unaudited consolidated financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.7424 as of 30 June 2022.

**Chairman of the Board of Directors
Yedil Utekov**

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**General Manager
Felix Crudu-Tesloveanu**

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**Finance Manager
Ramona-Georgiana Galateanu**

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